



# 2004 Crop Insurance Fact Sheet

## CROP REVENUE COVERAGE

### Corn



**THIS FACT SHEET POINTS OUT ONLY CERTAIN FEATURES OF CROP INSURANCE AND IS NOT INTENDED TO BE COMPREHENSIVE. THE INFORMATION CONTAINED HEREIN NEITHER MODIFIES NOR REPLACES TERMS AND CONDITIONS OF THE BASIC POLICY, THE CROP PROVISIONS, OR THE COUNTY ACTUARIAL DOCUMENTS. CONTACT A CROP INSURANCE AGENT FOR FURTHER DETAILS.**

**Crop Revenue Coverage (CRC)** provides revenue protection against a decline in market prices as well as a shortfall in production. Under CRC, the guarantee is in dollars. A loss situation arises when the dollar value of your production falls below the final dollar guarantee. CRC provides protection whether prices are rising or falling:

- In a year of rising prices (such as 2002), production shortfalls are compensated at the higher market-based harvest price. This is important if any lost production must be replaced at higher market prices for on-farm feeding or to fulfill delivery on a forward contract;
- In years of falling prices, your minimum guarantee ensures that you will receive a pre-determined amount of income per acre, regardless of yields or prices.

### DEFINITIONS

<b>Coverage Level</b>	Level of protection (50 to 75% of approved average yield; up to 85% in some states/counties)
<b>Base Price</b>	Price (before planting) used to calculate the Minimum Guarantee and the premium: <ul style="list-style-type: none"> <li>• NC: <b>Sep. 2004 CBOT*</b> futures average daily price during Dec. 15 - Jan. 14, 2004</li> <li>• States north of NC: <b>Dec. 2004 CBOT</b> futures average daily price during February 2004</li> </ul>
<b>Minimum Guarantee</b>	Guaranteed minimum dollar protection: Average Yield X Base Price X coverage level % (e.g., 100 bu/ac X \$2.40 X .75 = \$180 per acre Minimum Guarantee)
<b>Harvest Price</b>	Price (near harvest time) used to determine Calculated Revenue and Harvest Guarantee <ul style="list-style-type: none"> <li>• NC: <b>Sep. 2004 CBOT</b> futures average daily price during August 2004</li> <li>• States north of NC: <b>Dec. 2004 CBOT</b> futures average daily price during October 2004</li> </ul>
<b>Harvest Guarantee</b>	Average Yield X Harvest Price X coverage level % (e.g., 100 bu/ac X \$2.20 X .75 = \$165 per acre Harvest Guarantee)
<b>Calculated Revenue</b>	Determined value of your actual production: Bushels Produced X Harvest Price (e.g., 50 bu/ac produced X \$2.20 = \$110 per acre Calculated Revenue) (NOTE: The actual price you receive for selling your crop is <u>not</u> a factor in CRC calculations.)
<b>Final Guarantee</b>	Higher of the Minimum or Harvest Guarantee (NOTE: Your premium will <u>not</u> increase if Final Guarantee is higher than the Minimum Guarantee.)
<b>Indemnity</b>	Final Guarantee – Calculated Revenue (e.g., \$180 – \$110 = \$70 per acre indemnity)

\* Chicago Board of Trade

### SALES CLOSING DATES

North Carolina – <b>February 28</b>	States North of NC – <b>March 15</b>
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Final Planting and Acreage Reporting Dates vary by state and county. Consult a crop insurance professional for specific dates in your county.

### INSURANCE PERIOD

Coverage usually begins when the insured crop is planted and ends at the earliest of:

- Destruction of crop
- Final adjustment of loss
- Harvest of crop
- Abandonment
- December 10

### CRC CORN PRICES

YEAR	STATE	BASE PRICE	HARVEST PRICE
<b>2004</b>	<b>NC</b>	<b>2.53</b>	<b>(available September 2004)</b>
<b>2004</b>	<b>States North of NC</b>	<b>(available March 2004)</b>	<b>(available November 2004)</b>
2003	NC	2.42	2.20
2003	States North of NC	2.42	2.26

### CAUSES OF LOSS

CRC provides protection against unavoidable loss of revenue due to the following causes in the insurance period:

- ◆ Adverse Weather Conditions (e.g., hail, frost, freeze, wind, drought, excess moisture) ◆ Fire ◆ Insects\*
- ◆ Plant Disease\* ◆ Wildlife ◆ Failure of the Irrigation Water Supply (if due to insurable cause of loss)
- ◆ Harvest Price is less than the Base Price.

\* Does not include damage due to insufficient or improper application of recommended control measures.

### INSURANCE UNITS

Your insurable acreage is grouped into a unit based on your selection of one of the following unit arrangements:

**Basic Unit:** A basic insurance unit includes all of your corn acreage in the county by share arrangement. For example, the corn acreage on your own farm (including land cash rented) would be one basic unit, while other land on shares with someone else would be a second basic unit. Premiums are reduced 10 percent for a basic unit.

**Optional Units:** If a basic unit consists of two or more Farm Serial Numbers (FSN) and certain record-keeping criteria are met, you may select optional units by FSN. The 10 percent basic unit premium discount will not apply.

**Enterprise Unit:** An enterprise unit combines all your corn in the county into one county-wide unit, regardless of ownership, share, or rental arrangement. A varying premium discount will apply, based upon the number of insured acres. You must qualify for two or more basic/optional units in order to be eligible for an enterprise unit.

### CORN CRC LOSS EXAMPLE

*(Assumes average yield of 100 bu/ac, Base Price of \$2.53, Harvest Price of \$2.20, 35 bu/ac production-to-count, 65% coverage level.)*

100	bushels per acre approved average yield
x .65	coverage level
65	bushels per acre guarantee basis
x 2.53	Base Price per bushel
\$164.45	Minimum Guarantee per acre

Assume that Harvest Price is \$2.20 per bushel

Harvest Guarantee per acre = 65 bu/ac X \$2.20 Harvest Price = \$143

**NOTE: In most years, the Harvest Price is less than the Base Price; thus, the Harvest Guarantee will usually be less than the Minimum Guarantee. Occasionally, the Harvest Price may be greater than the Base Price (as in 2002), resulting in the Harvest Guarantee becoming the Final Guarantee.**

\$164.45	Final Guarantee per acre (the greater of the Minimum or Harvest Guarantee)
– 77.00	Calculated Revenue (35 bu/ac produced X \$2.20 Harvest Price)
87.45	indemnity per acre
– 6.00	approximate cost per acre
<b>\$81.45</b>	<b>net indemnity per acre</b>

For more information, visit the Risk Management Agency web site at [www.rma.usda.gov](http://www.rma.usda.gov)

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